

AR79

annual
report
1974

Canada Tungsten Mining Corporation Ltd.



CANADA
TUNGSTEN
MINING CORPORATION LIMITED

<i>Executive Office</i>	Suite 1014 - 111 Richmond St. W., Toronto, Ont.
<i>Branch Office</i>	80 Niobe Street, North Vancouver, B.C.
<i>Officers</i>	FRED E. HALL, <i>President</i> J. B. REDPATH, <i>Vice-President</i> R. G. HORNCastle, <i>Secretary-Treasurer</i>
<i>Directors</i>	JOHN B. AIRD, Toronto J. M. RICHARD CORBET, Toronto FRED E. HALL, Toronto DR. E. B. GILLANDERS, Vancouver PIERRE GOUSSELAND, New York J. B. REDPATH, Toronto H. A. SAWYER, JR., New York
<i>Transfer Agents and Registrars</i>	CANADA PERMANENT TRUST COMPANY 20 Eglinton Avenue West, Toronto, Ont.
<i>Bankers</i>	CANADIAN IMPERIAL BANK OF COMMERCE Toronto and Vancouver
<i>Auditors</i>	DELOITTE, HASKINS & SELLS Royal Trust Tower, Toronto, Ont.

THE ANNUAL MEETING of the Shareholders of Canada Tungsten Mining Corporation Limited will be held on Friday, May 2, at 11:00 o'clock in the forenoon in the Algoma Room, Four Seasons Sheraton Hotel, Toronto, Ontario.

Directors' Report to the Shareholders

Your Directors present herewith the Annual Report of your Company, together with the Manager's Report and audited Financial Statements for the year ended December 31, 1974.

During the year under review, your Company earned a net profit of \$3,677,449 or 74¢ per share, compared to \$709,697 or 14¢ from its 1973 operations.

1974 was a good year for tungsten. The London 'Metal Bulletin' price for tungsten continued to rise for the first half of the year, reaching \$107.18 per short ton unit in 1974, a historic high for tungsten. By year-end, the price decreased to \$86.71 per short ton unit. It is doubtful that 1975 will rival 1974 in view of the general economic slowdown around the world. Your Company did not sell any of its copper production during the year.

Production in 1974 amounted to 177,880 s.t.u. WO_3 , slightly above that produced in 1973. Overall recovery for the year was 71.5% compared to 80.2% in the previous year. The presence of talc-like material in the ore has presented milling problems. Additional mill equipment is on order which is expected to correct this condition. Test work is now being

directed to increasing the proportion of gravity concentrate production as compared to the higher cost flotation concentrate.

Since June 15th, all mill feed has come from the underground orebody.

The development of the orebody for production has been completed and eight years' requirements at a milling rate of 600 t.p.d. has been prepared for mining. The installation of the underground primary crusher and conveyor for delivering ore to the surface will be completed by mid-year.

The milling of 170,614 tons of ore, grading 1.45% WO_3 and 0.168% copper, produced 177,880 s.t.u. WO_3 and 168,665 lbs. of copper.

Expenditures during 1974 on underground and surface equipment and facilities, including dwellings for employees, amounted to \$3,216,000. In addition, \$1,452,000 expended for underground development was deferred to be written off over the life of the orebody.

The ore reserves as at December 31, 1974 are estimated at 4,436,000 tons, averaging 1.63% WO_3 and 0.23% copper.

The labour contract with the United Steelworkers of America expired on October 31, 1974. Two illegal strikes occurred in October. Settlement was finally obtained and work resumed on November 28, 1974.

The settlement of this contract emphasizes more than ever the high cost of operating in the far north. The contract provides for fringe benefits beyond the hourly cost such as extra vacations, travel time for vacations, leaves with fares paid to Vancouver, long service gratuities, subsidized modern housing, room and board, and store with most prices comparable to Vancouver, etc.

Two properties in the Yukon Territory held under option were investigated by geological mapping and Airborne Geophysical surveys. One property, located in the vicinity of Watson Lake, was further investigated by diamond drilling and results were encouraging enough to warrant the continuation of this program during the 1975 season. The second property in the McMillan Pass area will be further investigated this summer.

Two properties were staked in the North-

west Territories which will be investigated during the coming season.

Due to taxation and political environment in other provinces, your Company's exploration program was confined to the Yukon and Northwest Territories, and it is proposed to concentrate exploration in these areas in 1975.

It is with regret that we have to report the sudden death of Mr. John K. Kervin on December 31, 1974. Mr. Kervin acted in the capacity of Assistant Manager and Manager for your Company for approximately three years. His loyal and devoted service to the Company is much appreciated.

Mr. Kelson G. Collins assumed the responsibility as Mine Manager for your Company on February 20, 1975.

On Behalf of the Board,

F. E. HALL,
President.

Toronto, Ontario.
April 4, 1975.

ASSETS

CURRENT ASSETS:	1974	1973
Cash	\$ 67,935	\$ 5,593
Short-term notes	450,000	1,381,909
Accounts receivable	3,567,321	2,741,298
Income taxes recoverable	167,552	118,602
Inventory of concentrates — valued at the lower of cost or net realizable value	1,115,593	678,425
Inventory of ore in stockpile — at cost	64,567	130,800
Total current assets	<u>5,432,968</u>	<u>5,056,627</u>
FIXED ASSETS:		
Buildings, plant and equipment — at cost	11,017,179	7,800,921
Less accumulated depreciation (Note 1)	<u>6,568,042</u>	<u>5,716,875</u>
	4,449,137	2,084,046
Mining property — at cost	125,000	125,000
Net fixed assets	<u>4,574,137</u>	<u>2,209,046</u>
OTHER ASSETS:		
Inventory of supplies — at cost	982,582	490,924
Development and pre-production expenses — at cost less amounts written off (Note 1)	3,400,118	2,706,450
Deferred mining expenses — at cost less amounts written off of \$64,838 (Note 1)	<u>490,665</u>	<u>—</u>
Total other assets	<u>4,873,365</u>	<u>3,197,374</u>
TOTAL	<u>\$14,880,470</u>	<u>\$10,463,047</u>

The accompanying notes are an integral part of the financial statements.

at December 31, 1974

(for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	1974	1973
Accounts payable and accrued charges	\$ 998,830	\$ 872,856
DEFERRED INCOME TAXES (Note 2)	1,351,000	737,000
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
5,000,000 shares of a par value of \$1 each		
Issued and fully paid:		
4,990,000 shares	4,990,000	4,990,000
Less discount	1,372,851	1,372,851
	3,617,149	3,617,149
Retained earnings	8,913,491	5,236,042
Total shareholders' equity	12,530,640	8,853,191
Approved by the Board:		
FRED E. HALL, Director		
J. B. REDPATH, Director		
TOTAL	\$14,880,470	\$10,463,047

AUDITORS' REPORT

To the Shareholders of
Canada Tungsten Mining Corporation Limited:

We have examined the balance sheet of Canada Tungsten Mining Corporation Limited as at December 31, 1974 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 28, 1975
Toronto, Ontario

DELOITTE, HASKINS & SELLS,
Chartered Accountants

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1974

(with 1973 figures for comparison)

	<u>1974</u>	<u>1973</u>
INCOME FROM OPERATIONS BEFORE THE UNDERNOTED		
(Note 3)	\$6,583,985	\$2,517,224
INTEREST ON SHORT-TERM NOTES	132,957	97,949
	<u>6,716,942</u>	<u>2,615,173</u>
OTHER COSTS AND EXPENSES:		
Depreciation (Note 1)	851,167	934,305
Amortization of development and pre-production		
expenses (Note 1)	267,164	422,948
Exploration expenses (Note 1)	392,409	133,423
N.W.T. mining royalty	89,753	6,800
	<u>1,600,493</u>	<u>1,497,476</u>
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	<u>5,116,449</u>	<u>1,117,697</u>
PROVISION FOR INCOME TAXES:		
Current	825,000	(7,000)
Deferred	614,000	415,000
	<u>1,439,000</u>	<u>408,000</u>
INCOME BEFORE EXTRAORDINARY ITEM	3,677,449	709,697
WRITE-OFF LOW-GRADE ORE INVENTORY IN STOCK PILE, NET		
OF INCOME TAXES THEREON OF \$75,000	—	152,187
NET INCOME FOR THE YEAR	3,677,449	557,510
RETAINED EARNINGS AT BEGINNING OF THE YEAR	5,236,042	4,678,532
RETAINED EARNINGS AT END OF THE YEAR	<u>\$8,913,491</u>	<u>\$5,236,042</u>
INCOME PER SHARE BEFORE EXTRAORDINARY ITEM	<u>73.7¢</u>	<u>14.2¢</u>
NET INCOME PER SHARE AFTER EXTRAORDINARY ITEM	<u>73.7¢</u>	<u>11.2¢</u>

The accompanying notes are an integral part of the financial statements.

CANADA
TUNGSTEN
MINING CORPORATION LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1974

(with 1973 figures for comparison)

	1974	1973
FUNDS PROVIDED:		
Net income for the year	\$3,677,449	\$ 557,510
Items not involving funds:		
Depreciation	851,167	934,305
Amortization of development and pre-production expenses	267,164	422,948
Deferred income taxes	614,000	340,000
Amortization of deferred mining expenses (Note 1) ..	64,838	—
Funds provided from operations	5,474,678	2,254,763
FUNDS APPLIED:		
Development and pre-production expenses (Note 1)	961,563	1,792,134
Additions to fixed assets	3,216,258	908,379
Supplies	491,658	76,437
Deferred mining expenses (Note 1)	554,777	—
	5,224,251	2,776,950
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR	250,367	(522,187)
WORKING CAPITAL AT BEGINNING OF THE YEAR	4,183,771	4,705,958
WORKING CAPITAL AT END OF THE YEAR	\$4,434,138	\$4,183,771
CHANGES IN WORKING CAPITAL – INCREASE (DECREASE):		
Cash and short-term notes	\$ (869,567)	\$ (127,048)
Accounts receivable	826,023	1,723,560
Income taxes recoverable	48,950	(23,717)
Inventory of concentrates	437,168	(1,179,883)
Inventory of ore in stockpile	(66,233)	(429,075)
Accounts payable and accrued charges	(125,974)	(486,024)
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 250,367	\$ (522,187)

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 1974

1. Accounting Practices

(a) Fixed assets:

It is the company's practice to provide for depreciation of buildings, plant and equipment at 15% per annum on a straight-line basis.

(b) Development and pre-production expenses:

The development and pre-production expenses related to the original open pit mine were being amortized until May, 1974 over the estimated life of the original ore body on the basis of units sold. All development and pre-production costs related to the new ore body incurred after the decision to proceed with underground development and up to the date of commercial production, May 15, 1974, have been deferred. Commencing with the date of commercial production from the new underground ore body the aggregate of the unamortized costs from the original ore body of \$660,000 and the costs related to the new underground ore body are being amortized over the estimated life of the new ore body on the basis of units sold. Costs related to outside exploration are expensed as incurred.

(c) Deferred mining costs:

Costs related to the continuing development of the underground ore body are being amortized, as is the practice in the industry, over a three year period.

(d) Conversion of U.S. dollars:

At December 31, 1974, accounts receivable due in U.S. dollars have been converted to Canadian dollars at par.

2. Deferred Income Taxes

Deferred income taxes result primarily from claiming the development and pre-production expenses as deductions from taxable income in the year expended whereas these expenses are being amortized over the estimated life of the mine for accounting purposes.

3. Sales Disclosure

Pursuant to Section 173 of The Business Corporations Act, Ontario, an order was obtained from the Ontario Securities Commission permitting the company to omit disclosure of sales in the statement of income for the year ended December 31, 1974.

4. Remuneration of Directors and Senior Officers

Remuneration of directors and senior officers, as defined by the Business Corporations Act, Ontario, amounted to \$165,000 for the year ended December 31, 1974 (1973 – \$146,000).

CANADA TUNGSTEN MINING CORPORATION LIMITED

Report of the Mine Manager

The President and Board of Directors,
Canada Tungsten Mining Corporation Limited,
Suite 1014, 111 Richmond Street West,
Toronto, Ontario, M5H 2G4.

Dear Sirs:

The following report covers the 1974 operations of the mine at Tungsten, N.W.T., and the Leach Plant at North Vancouver.

Continuous production, except for the month of November, during which there were two illegal strikes, was maintained throughout the year.

CONCENTRATOR

A total of 170,614 tons of ore, containing 1.46% WO_3 and 0.16% Cu were processed. The total production amounted to 177,880 short ton units of WO_3 and 163,665 lbs. of copper.

Overall recovery of WO_3 averaged 71.35% for the year.

The concentrator operated an average of 82.12% of possible time and treated an average of 467 tons per day.

Milling of the pit ore mined during 1973 was completed and milling of underground ore commenced on June 15.

Some separation problems continued due to the talc-like material in the ore. Depressing of this material tended to also depress scheelite. Investigation is now being carried out to float and discard this talc-like material.

All copper concentrates produced during the year were stockpiled.

MINING

During the year 113,626 tons of ore were mined, grading 1.44% WO_3 . In addition, 40,396 tons of waste were broken.

UNDERGROUND DEVELOPMENT

The following development work on the E zone orebody was completed:

	1974	1973
Main Adit	31'	3,836'
Access Ramps	4,213'	2,806'
Raising	1,181.5'	97'
Ventilation Decline	228.5'	1,543'
Conveyor Tunnel	703'	1,157'
Diamond Drilling	4,787'	30,306'
Crosscutting and Drifting	539'	—

Ore reserves at December 31, 1974 are estimated to be 4,436,424 tons, averaging 1.63% WO_3 and 0.23% Cu.

GENERAL

The availability of personnel continued to be good but with higher than normal turnover.

Major construction programs during the year were the construction of 18 town houses, reagent storage, firehall, mine office and dry, extension to power house, dike for oil tank farm, camp video cassette T.V. system.

An airborne geophysical survey was completed over the mine property.

The labour contract with the United Steelworkers of America expired on October 31, 1974. Two illegal strikes occurred in October. A two-year contract was finally reached and work resumed on November 28, 1974.

LEACH PLANT

The Leach Plant in North Vancouver operated well during the year.

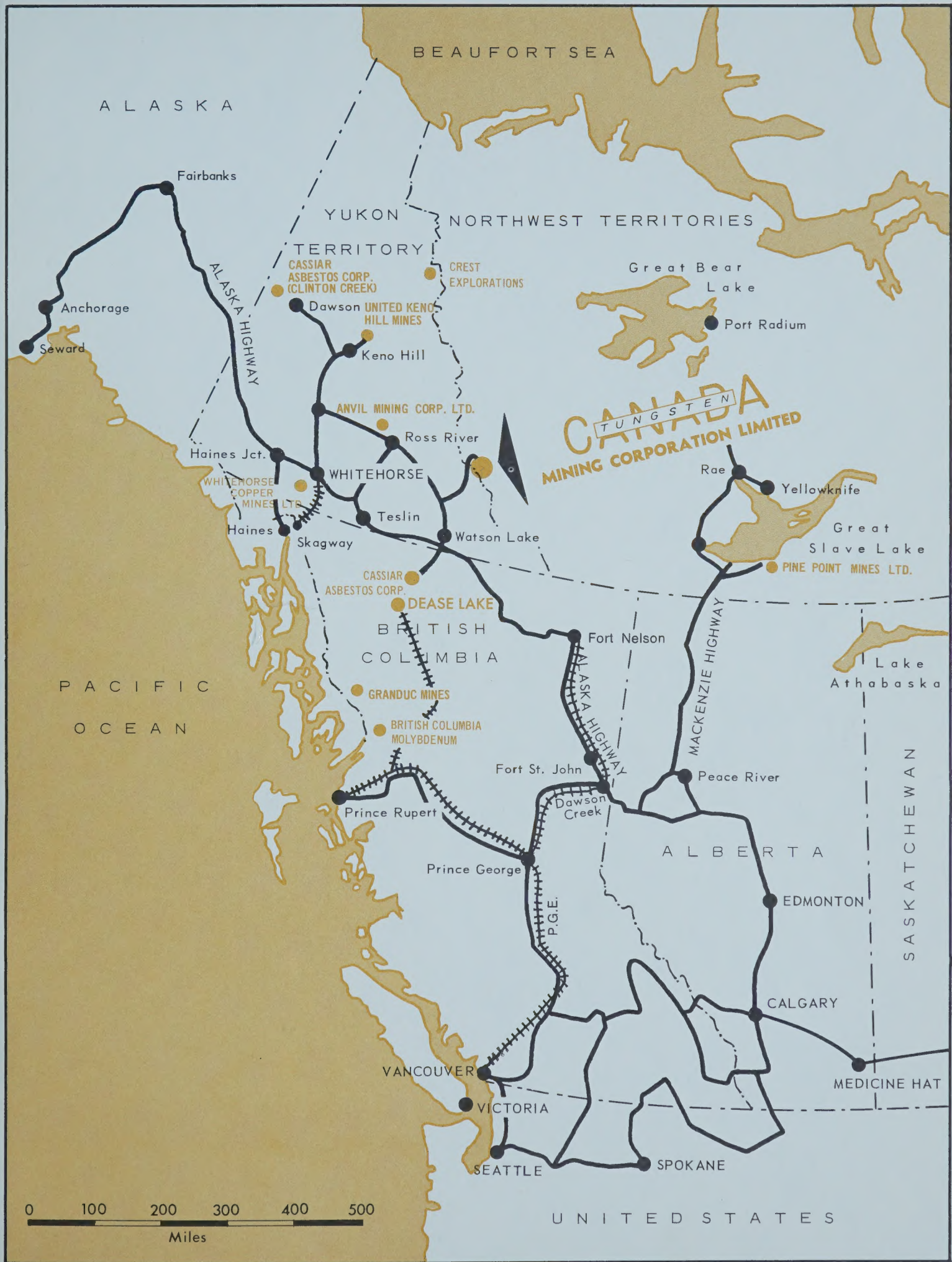
Overall recovery was 98%. One additional tank was added to handle the backlog of material.

I would like to express appreciation for the technological assistance received from the Amax Staff and to the Staff of the Mine for their performance during the year.

Respectfully submitted,

F. E. HALL

for J. K. KERVIN (deceased)
Mine Manager



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YUKON

NORTHWEST TERRITORIES

TERRITORY

CASSIAR
ASBESTOS CORP.
(CLINTON CREEK)

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ALASKA
HIGHWAY

Dawson

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Keno Hill

ANVIL MINING CORP. LTD.

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Haines Jct.

WHITEHORSE
COPPER
MINES LTD.

WHITEHORSE

Teslin

Haines

Skagway

Watson Lake

CASSIAR
ASBESTOS CORP.

DEASE LAKE

BRITISH
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GRANDUC MINES

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CANADA
TUNGSTEN
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VANCOUVER

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SEATTLE

SPOKANE

SASKATCHEWAN

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0 100 200 300 400 500
Miles

